

Message Text

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70

ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-04 USIA-15 PRS-01 DRC-01 /163 W

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R 221648Z AUG 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 9522

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

AMEMBASSY REYKJAVIK

AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE COPENHAGEN 2309

E.O. 11652: N/A

TAGS: EGEN, ELAB, DA

SUBJECT: GENERAL MOTORS ASSEMBLY PLANT TO CLOSE

SUMMARY. GENERAL MOTORS ANNOUNCED TODAY THAT IT WOULD SHUT DOWN ITS AUTO ASSEMBLY PLANT IN COPENHAGEN AS OF MID-OCTOBER. SINCE THE GM PLANT, WITH 1200 EMPLOYEES, IS ONE OF DENMARK'S LARGEST INDIVIDUAL EMPLOYERS, THE CLOSURE MAY LEAD TO ANTI-AMERICAN AND ANTI-MULTINATIONAL CORPORATION REACTION. END SUMMARY.

1. GENERAL MOTORS DECISION TO CLOSE ITS 23-YEAR OLD AUTO ASSEMBLY OPERATION COMES AT AN UNFORTUNATE TIME. THE CURRENT UNEMPLOYMENT LEVEL (40,000 OR 3.9 PER CENT) IS A MAJOR CONCERN OF GOVERNMENT AND LABOR MARKET ORGANIZATIONS WHICH HAVE PREDICTED THAT BY NEW YEAR THE LEVEL WILL REACH 100,000, APPROXIMATELY TWICE THE NORMAL LEVEL.

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2. THE STATED CAUSE OF GM'S ACTION WAS THE GENERAL WEAKENING OF THE EUROPEAN ECONOMY SPURRED BY THE RISE IN OIL PRICES. THAT, AND THE INCREASED LICENSE TAX IMPOSED THIS SPRING AS A TEMPORARY ANTI-INFLATIONARY MEASURE, REDUCED AUTO SALES SHARPLY.

3. GENERAL MOTORS INTENDS TO PURSUE AN ACTIVE PROGRAM OF ASSISTING THE 750 EMPLOYEES IMMEDIATELY AFFECTED TO FIND NEW EMPLOYMENT AND HAS PROMISED TERMINATION BENEFITS SUBSTANTIALLY OVER THE DANISH NORM. NEVERTHELESS, IN CURRENT ATMOSPHERE OF ECONOMIC UNCERTAINTY THE ANNOUNCEMENT WILL BE A BLOW TO THE LABOR MARKET. IT WILL LIKELY PROVOKE AN ANTI-AMERICAN AND ANTI-BUSINESS REACTION FROM THE METAL WORKERS UNION AND THE FAR LEFT OF THE TRADE UNION MOVEMENT IN GENERAL, WHICH HAVE BEEN VOCAL CRITICS IN THE PAST OF MULTINATIONAL CORPORATIONS.

4. COMMENT: GM HAS BEEN CONSIDERING FOR THREE YEARS SOME MAJOR ALTERATION OF ITS OPERATION IN COPENHAGEN. ITS INITIAL DECISION WAS TO EXPAND THE PLANT CONSIDERABLY TO REDUCE UNIT COST. THE WORSENING OF ECONOMIC CONDITIONS HAS ONLY RECENTLY ALTERED THIS DECISION.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRIAL PRODUCTION, UNEMPLOYMENT, ANTIAMERICAN, AUTOMOBILES, INDUSTRIAL PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974COPENH02309
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740232-0530
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740827/aaaaaxak.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 05 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 APR 2002 by shawdg>; APPROVED <26 JUN 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GENERAL MOTORS ASSEMBLY PLANT TO CLOSE SUMMARY. GENERAL MOTORS ANNOUNCED TODAY THAT IT WOULD SHUT
TAGS: EGEN, ELAB, DA, GENERAL MOTORS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005